

Message Text

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67

ACTION EUR-12

INFO OCT-01 AF-08 ISO-00 AGR-05 CEA-01 CIAE-00 COME-00

DODE-00 EB-07 FRB-03 H-02 INR-07 INT-05 L-03 LAB-04

NSAE-00 NSC-05 PA-01 AID-05 CIEP-01 SS-15 STR-04

ITC-01 TRSE-00 USIA-06 PRS-01 SP-02 OMB-01 FEA-01

/101 W

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R 041710Z AUG 76

FM USMISSION EC BRUSSELS

TO SECSTATE WASHDC 1691

INFO ALL EC CAPITALS 2406

AMEMBASSY ABIDJAN

AMEMBASSY ACCRA

AMEMBASSY BAMAKO

AMEMBASSY CONAKRY

AMEMBASSY COTONOU

AMEMBASSY KAKAR

AMEMBASSY FREETOWN

AMEMBASSY LAGOS

AMEMBASSY LOME

AMEMBASSY MONROVIA

AMEMBASSY NIAMEY

AMEMBASSY NOUAKCHOTT

AMEMBASSY OUAGADOUGOU

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PASS AGRICULTURE

E.O. 11652: N/A

TAGS: EAGR, EEC

SUBJECT: EC PROPOSAL TO TAX VEGETABLE AND MARINE OILS

REF: (A) ABIDJAN 7132, (B) 67 EC A-118, (C) 75 EC BRUSSELS 1129

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1. WE ASKED SCHIRATTI, THE CHIEF OF THE COMMISSION'S OILSEEDS SECTION, WHETHER OR NOT THE EC PAID A PREFERENTIAL PRICE ON OILSEEDS AND VEGETABLE OILS PRODUCED BY AFRICAN COUNTRIES, AS ALLEGED BY AN IVORIAN OFFICIAL IN PARAGRAPH 4 OF REF A. THE OFFICIAL SAID THAT DURING THE FIRST YAOUNDE CONVENTION (1967-1969) THE COMMISSION HAD FIXED A REFERENCE PRICE FOR A NUMBER OF THESE PRODUCTS (INCLUDING PEANUTS, COPRA, PALM KERNELS, AND PALM OIL) AND HAD MADE COMPENSATORY PAYMENTS TO AFRICAN ASSOCIATED COUNTRIES WHEN EC IMPORT PRICES FELL BELOW THIS PRICE (REF. B). HOWEVER, EXPENDITURES ON THIS PROGRAM WERE LIMITED TO 13 MILLION UNITS OF ACCOUNT FOR THE 3-PERIOD. THIS ARRANGEMENT HAD NOT BEEN RENEWED IN THE SECOND YAOUNDE CONVENTION.

2. SCHIRATTI SUGGESTED THAT THE AFRICAN OFFICIAL MIGHT HAVE BEEN THINKING OF THE STABEX ARRANGEMENTS (REF. C) PUT INTO EFFECT UNDER THE LOME CONVENTION. THESE ARRANGEMENTS, WHICH COVER, AMONG OTHERS, PEANUTS, COPRA, AND PALM OIL, PROVIDE A CERTAIN GUARANTEE ON EXPORT EARNINGS ALTHOUGH THEY DO NOT HAVE ANY PRICING PROVISIONS. THE TAX PROPOSED BY THE COMMISSION ON VEGETABLE AND MARINE OILS IS, OF COURSE, TOTALLY UNRELATED TO THE STABEX ARRANGEMENTS.

3. WE SUGGEST THAT AMEMBASSY ABIDJAN BRING THE ABOVE POINTS TO THE ATTENTION OF THE APPROPRIATE IVORIAN OFFICIALS AND THAT ACP INFO ADDRESSEE POSTS, IN THEIR DISCUSSIONS OF THE PROPOSED TAX, SEEK TO RECTIFY ANY SIMILAR CONFUSION. IF, IN THESE DISCUSSIONS, ADDRESSEE POSTS ENCOUNTER A CERTAIN INDIFFERENCE TO THE PROPOSED TAX BASED ON THE BELIEF THAT THE SCHEME WILL NOT APPLY TO IMPORTS FROM ACP'S OR THAT THE STABEX ARRANGEMENTS WILL PROTECT THE INTEREST OF LOME CONVENTION SIGNATORIES, THE FOLLOWING POINTS MAY BE USEFUL.

A. THE TAX WILL APPLY ON OIL IMPORTED FROM ALL SOURCES OR PRODUCED DOMESTICALLY FROM OILSEEDS, WHATEVER THEIR SOURCE. THERE IS NO ACP EXEMPTION.

B. THE LEVEL OF EXPORT EARNINGS GUARANTEED BY STABEX IS BASED ON A 5-YEAR MOVING AVERAGE. THUS, IT WOULD PROVIDE NO COMPENSATION FOR FAILURE OF EXPORTS TO GROW AS A RESULT OF THE TAX. EVENTUALLY, THE EFFECTS OF THE TAX COULD ALSO ULTIMATELY REDUCE THE BASE LEVELS FOR THE EXPORT EARNINGS GUARANTEE.

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C. EXPORT EARNINGS MUST DROP BY 7.5 PERCENT BEFORE STABEX FINANCIAL TRANSFERS ARE TRIGGERED (2.5 PERCENT FOR THE LEAST DEVELOPED COUNTRIES).

D. EXCEPT IN THE CASE OF THE LEAST DEVELOPED COUNTRIES, THESE STABEX TRANSFERS ARE TO BE REPAID TO THE COMMUNITY.

E. THE STABEX FINANCIAL TRANSFERS WILL BE PAID TO THE GOVERNMENTS OF THE RECIPIENT COUNTRY AND MAY NOT NECESSARILY BE PASSED ON TO GROWERS OR PROCESSORS OF OILSEEDS OR VEGETABLE

OILS.HINTON

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: CUSTOMS DUTIES, PROPOSALS (BID), TAXES, VEGETABLE OILS, FISH OILS
Control Number: n/a
Copy: SINGLE
Draft Date: 04 AUG 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: ShawDG
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
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Executive Order: N/A
Errors: N/A
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Margaret P. Grafeld
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04 MAY 2006

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